

Message Text

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E.O. 11652: N/A

TAGS : BTIO, TC

SUBJECT : SEARCH FOR OPERATOR FOR DUBAI DRYDOCK

DOC FOR CAGNE

1. IN A RECENT CONVERSATION MAHDI TAJIR, UAE AMBASSADOR IN LONDON AND ECONOMIC ADVISOR TO RULER OF DUBAI, TOLD AMBASSADOR THAT SEARCH IS CONTINUING FOR OPERATOR OF DUBAI DRYDOCK. CONSTRUCTION OF DRY-DOCK PROJECT IS NOW WELL UNDERWAY AND SHAIKH RASHID IS PRESSING TAJIR, WHO IS TAKING LEAD MANAGING PROJECT, TO REACH DECISION SOON ON OPERATOR. TAJIR INDICATED THAT HE IS NEGOTIATING WITH 3 OR 4 FIRMS, BUT NONE OF THEM AMERICAN. (STATE AND DOC WILL RECALL BACKGROUND OF THIS PROJECT IN WHICH AMERICAN CONSULTANT JOHN J. MCMULLEN WAS INITIALLY INVOLVED, BUT ASSOCIATION WAS TERMINATED AS RESULT OF MCMULLEN'S INABILITY TO PUT TOGETHER FINANCING PACKAGE AS WELL AS PERSONALITY CONFLICT WITH TAJIR.) TAJIR TOLD AMBASSADOR THAT HE WOULD BE INTERESTED IN HEARING PROPOSALS FROM AMERICAN FIRMS. WE UNDERSTAND THAT ORIGINAL CONCEPT OF DRYDOCK HAS NOW BEEN EXPANDED TO AMKE DRYDOCK A HIGHLY MODERN AND COMPLETE FACILITY, DOUBLING ORIGINAL \$162 MILLION COST OF PROJECT.

2. FROM CONVERSATION WITH TAJIR, OUR UNDERSTANDING IS THAT RULER IS LOOKING FOR OPERATOR WHO WOULD BE WILLING TO MEET OPERATING EXPENSES PRIMARILY WITH HIS OWN CAPITAL AND THEREBY ASSUME MAIN RISK OF OPERATING PROFIT AND LOSS. TAJIR TOLD AMBASSADOR THAT IN RETURN FOR BEING INSURED AGAINST OPERATING LOSSES, RULER WOULD BE WILLING TO TAKE QUITE MODEST CUT IN
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PROFITABLE YEARS, REMAINDER OF PROFIT GOING TO OPERATOR. TAJIR

DID NOT SPECIFY WHETHER OPERATOR WOULD BE RESPONSIBLE FOR AMORTIZATION OF CONSTRUCTION COSTS, OBVIOUSLY AN IMPORTANT POINT. HOWEVER, IT IS CLEAR THAT SEARCH FOR OPERATOR ON THESE TERMS HAS NOT BEEN EASY, AND WE BELIEVE RASHID AND TAJIR ARE PREPARED TO BE FLEXIBLE IN CONSIDERING PROPOSALS FROM REPUTABLE FIRMS.

3. ACTION REQUESTED OF CAGNE: BELIEVE IT IS WORTH MAKING ANOTHER EFFORT TO MAKE THIS OPPORTUNITY KNOWN TO MAJOR US SHIPYARD OPERATORS. FIRMS THAT HAVE BEEN SUGGESTED TO US ARE NEWPORT NEWS SHIPYARD, SUN SHIPBUILDING (PHILADELPHIA), LOCKHEED SHIPBUILDING (SEATTLE), ALABAMA DRYDOCK (MOBILE), JACKSONVILLE SHIPYARD, AND NATIONAL STEEL AND SHIPBUILDING (SAN DIEGO). REQUEST CAGNE DISCUSS PROJECT WITH THESE AND ANY OTHER QUALIFIED FIRMS AND INFORM EMBASSY OF ANY EXPRESSIONS OF INTEREST. TAJIR ASKED THAT AMBASSADOR INFORM HIM OF LIST OF US FIRMS THAT MIGHT BE INTERESTED.
STERNER

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